

## WEALTH MARKETS AND COMMERCE

## Finance - Economics

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Friday, November 24, 1916

There is a new dimension in the world. It is the unlimited. The belligerent countries of Europe have committed themselves to a policy of unlimited liability on account of the war, which is to say that they will borrow unlimited amounts and pile up unlimited debts. This country has committed itself to the policy of giving unlimited credit. It is well known that the demand for goods is unlimited. Prices also are unlimited. Why should anybody worry? Have we not provided ourselves with the miraculous cruse from which credit may be extracted in unlimited amounts? Such is the popular notion. We have got a panic-proof, greed-proof, time-proof banking system. It can never fail the borrower. Such also is the official notion. Mr. McAdoo says it. Mr. Williams says it. Mr. Hamlin, member of the Federal Reserve Board, in an address before the Institute of Accountants, said: "Under the Federal Reserve System part of the reserves of every member bank is stored in the Federal Reserve Bank. A bank may put in a million dollars and, in time of necessity, it may take out ten or fifteen or any number of millions of dollars." Unlimited! A bank may put in a million dollars and take out any number. If it were true that would not be banking. It would be pure magic. And it is a member of the Federal Reserve Board who says this before an audience of expert accountants! He did not stop. He said: "Never again will a business man who deserves credit have to be turned down by any bank which is a member of the Federal Reserve System. . . . We never again can have a universal collapse of credit. . . . We never again can have a currency panic such as we have had in the past." Those are not statements of fact. They are statements of opinion. And it is very bad opinion, as Mr. Hamlin himself must know. The amount of credit expansion possible to take place under the Federal Reserve Bank System is a matter of arithmetic. It is very large, but it is limited. It is multiplied by every addition of foreign gold to our rising hoard, but the amount of gold in the world has not yet gone into the dimension of unlimited. Mr. Hamlin might say that he did not mean these things to be taken literally. Nevertheless, they are taken literally and they do a great deal of harm. They blind people to the physical and metaphysical impossibility of unlimited lending, even to an unlimited borrower.

As we are committed to the policy of lending an unlimited amount of credit to borrowers who are committed to a policy of unlimited borrowing, it is possibly gratuitous to notice the fact that the method of credit giving next to be adopted will make it impossible to keep count. British and French treasury bills will be sold as the money market will take them, at the prevailing rate of interest. They will have maturities of thirty days to six months. They will be carried in the loans and discounts of the banks, where they will be to the outer view indistinguishable from domestic loans and discounts. Because the Federal Reserve Board and its Advisory Council of private bankers have spoken jointly with mild misgivings of the practice of investing the resources of a commercial banking system heavily in notes that are "open for a long period of renewal," as all of the foreign notes so far placed here are, the fiction will be respected that these British and French treasury bills are not "open to renewal." It is true that they will be paid off as they come due. But they will be paid off with the proceeds of new bills. Thus, the amount in existence will pyramid steadily. To call such bills commercial or self-liquidating paper would be absurd. They can be liquidated only with other notes. That is actually to "renew" them, though technically the dollar may intervene. A new note is sold for dollars and the dollars are used to pay off the old note.

The American Telephone and Telegraph Company will raise \$120,000,000 of new capital, partly by the sale of stock and partly by the sale of bonds, with which to pay for new construction and improvements, which is work, as it says with an air of apology, that has to be done, no matter what the cost may be. It has to be done, for instance, whether copper is 35 cents a pound, as it now is, or 20 cents, as it was a year ago. The railways are buying equipment on a scale never before equalled, at the highest prices on record. "For awhile," says "The Railway Age-Gazette," "the railroads held off from purchasing, primarily because they hoped for a decline in prices. It is

now become evident that no decline in prices is to be looked for in some time." "The Railway Age-Gazette" forgets to ascribe either the fact that the railroads held off from buying or the fact that no decline in prices may be looked for to the baleful influence of the Interstate Commerce Commission's work upon human psychology and economic events. But that is aside. The point of all this was to say that the necessity for investing capital in new facilities, notwithstanding the high level of prices for material and labor, is bound to have many deferred consequences. A locomotive, a telephone wire, a lathe or a thrashing machine bought at these prices, to pay the interest on its cost, provide for its own renewal and leave a profit over will have to earn more not to-morrow or next year but throughout its economic life. Otherwise, it becomes unprofitable.

## Money and Credit

Money on call at the New York Stock Exchange ruled at 4 per cent yesterday. Toward the close, after the loan requirements of the Street for over the week's end had been filled, some of the banks offered money on call at substantial concessions, and the rate fell to 2 per cent. The close was 2 1/2%.

There was no quotable change in the market for time funds on brokers' Stock Exchange collateral, rates holding firm at the levels of the day before. Ruling rates on money yesterday, compared with a year ago, were as follows:

	Yesterday.	Year ago.
Call money.....	4%	1 1/4%
Time money:		
60 days.....	3 1/2%	2 1/2% @ 2 3/4%
90 days.....	3 1/2%	2 1/2% @ 2 3/4%
3 months.....	3 1/2% @ 3 3/4%	2 1/2% @ 3%
5 to 6 mos.....	3 1/2% @ 3 3/4%	2 1/2% @ 3%

Commercial Paper.—Sentiment in this market favors higher rates. Trading is dull, and the best names are moving at 3 1/2 to 3 3/4 per cent.

Official rates of discount at each of the twelve Federal districts are as follows:

	Maturity in days.	10d.	30d.	60d.	90d.
Boston.....	3	3 1/2	4	4	4
New York.....	3	3 1/2	4	4	4
Philadelphia.....	3 1/2	4	4	4	4
Cleveland.....	3 1/2	4	4 1/2	4 1/2	4 1/2
Richmond.....	4	4	4	4	4
Atlanta.....	4	4	4	4	4
Chicago.....	3 1/2	4	4	4 1/2	4 1/2
St. Louis.....	4	4	4	4 1/2	4 1/2
Minneapolis.....	4	4	4	4 1/2	4 1/2
Kansas City.....	4 1/2	4	4 1/2	4 1/2	4 1/2
Dallas.....	3 1/2	4	4	4	4
San Francisco.....	3	3 1/2	4	4 1/2	4 1/2

\*15-day paper.

Bank Exchanges.—The day's clearings at New York and other cities:

	Exchanges.	Balances.
New York.....	\$754,760,176	\$122,222,225
Baltimore.....	6,855,595	797,378
Boston.....	41,405,725	5,618,564
Philadelphia.....	52,086,580	9,279,268

Sub-Treasury.—New York banks gained from the Sub-Treasury \$383,000.

Silver.—Bars in London, 35 1/2 pence; New York, 73 1/2 cents; Mexican dollars, 56 1/2.

Gold to England.—The Chase National Bank is shipping \$300,000 in double eagles to London. The consignment represents a special transaction, made on instructions received from a London bank. Five similar shipments have been made in recent weeks, making a total of \$300,000.

Canadian Bank Statement.—Following are the principal items in the monthly statement of the Canadian chartered banks:

	Oct. 31, 1916.	Oct. 31, 1915.
Circulation.....	\$45,031,661	\$122,782,225
Deposits.....	\$489,230,234	\$392,042,193
Notes.....	\$814,297,404	\$701,336,880
Dep. elsewhere.....	\$66,200,928	\$116,236,345
Dep. in Canada.....	\$67,260,588	\$116,236,345
Domestic notes.....	\$122,667,047	\$136,223,257
Call loans in Canada.....	\$90,412,023	\$74,574,270
Call loans elsewhere.....	\$189,346,216	\$120,681,624
Cur. loans in Canada.....	\$774,928,222	\$780,785,754
Cur. loans elsewhere.....	\$79,469,621	\$49,612,985

Forgoan on Money.—Chicago, Nov. 24.—James B. Forgoan, back from Washington, says:

collections through the Federal Reserve Bank, mainly on account of disbursements in connection with the last British loan. Gold exports amounted to \$6,400,000.

Gold to South America.—Gold coin to the amount of \$2,150,000 was withdrawn from the Sub-Treasury yesterday for shipment to Argentina. The National Bank of Commerce withdrew \$100,000 for shipment to Montevideo, Uruguay. The transaction is for the account of the Uruguayan government.

## The Dollar in Foreign Exchange

Business in foreign remittances was somewhat more active yesterday. Russian bills went lower again, this time to 30.40 cents, compared with 30.70 the day before. Lire checks on Italy were weak and declined quite sharply for a time. Other exchanges generally held steady.

	Yesterday.	Week
Sterling, demand.....	4.75 1/2	4.75 1/2
Sterling, sixty days.....	4.71 1/2	4.71 1/2
Sterling, ninety days.....	4.69 1/2	4.69 1/2
France, demand.....	5.84 1/2	5.84 1/2
France, cable.....	5.83 1/2	5.83 1/2
Guillemots, checks.....	40 1/2	40 1/2
Guillemots, cables.....	40 1/2	40 1/2
Reichsmarks, checks.....	68 1/2	68 1/2
Reichsmarks, cables.....	68 1/2	68 1/2
Lire, checks.....	6.71 1/2	6.71 1/2
Lire, cables.....	6.71 1/2	6.71 1/2
Swiss, checks.....	5.18 1/2	5.18 1/2
Swiss, cables.....	5.18 1/2	5.18 1/2
Austrian, kronen, chks.....	11.82	11.86
Stockholm, kr., chks.....	28.30	28.32
Copenhagen, kr., chks.....	26.95	26.95
Pesetas, checks.....	20.45	20.35
Rubles, checks.....	30.40	30.75
Pesos (Argentine).....	1.0125	1.0155

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling.....	\$4.75 1/2	\$4.86 1/2
France.....	0.17 1/2	0.19 3/4
Guillemots.....	0.040 1/2	0.40 1/2
Marks.....	0.17 1/2	0.23 1/2
Rubles.....	0.30 40	0.51 1/2
Lire.....	0.14 9	0.14 9
Crown (Sweden).....	0.26 95	0.26 3
Crown (Denmark).....	0.28 30	0.28 6
Pesos (Argentine).....	0.98 76	0.96 4

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling for \$4.75 1/2; the intrinsic parity is \$4.86 1/2 per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

## A. T. &amp; T. ISSUES BONDS BESIDES NEW STOCK

Funds Needed for Construction and Refunding

The American Telephone and Telegraph Company, it was announced yesterday, had adopted a financial plan which, in addition to providing for an issue of \$40,000,000 in new stock, also provides for the sale of \$80,000,000 of 5 per cent thirty-year collateral trust bonds. The proceeds from the offering of these securities will finance maximum construction and refunding requirements for 1917 and 1918.

Offering of the new bonds will be made in the near future. The price has not been fixed, but it is expected that it will be close to par, as in the case of the stock issue. J. P. Morgan & Co. and associates have purchased the bonds and a large syndicate will participate in the offering. Reasons for the new financing are stated by Theodore N. Vail, president of the company, in a letter to stockholders as follows:

Commencing in 1915, we have had an abnormal increase of business, which has taxed not only the surplus plant, but all the new plant that could possibly be provided.

During the coming year we shall not only have to provide what we may call our normal increase, but also replace to a large extent our surplus plant, providing we can get material and labor.

It is estimated that six months to a year to provide the necessary material and equipment and build the conduits, obtain rights of way and make the manifold preparations for final construction.

Our expenditures next year are obligatory from the nature of our business under any possible conditions. Our expenditures for construction for 1918 must be prepared for during the coming year, and for the greater part be made under any business conditions likely to prevail. And the short term note due in February of that year must, of course, be met.

Mr. Vail said that the increase in the surplus revenue of the American Telephone and Telegraph Company for 1916 over 1915 will be over \$7,000,000, or more than enough to take care of all the charges on the securities proposed to be issued.

## PARIS TO HOLD TRADE FAIR IN MAY, 1917

A fair, known under the title of "La Foire de Paris," will be held in Paris from May 1 to 15, 1917, Consul General A. M. Thackeray reports. Its object is to afford French manufacturers an opportunity to show samples of their wares to local and foreign buyers, no foreign exhibitors being admitted. It is held under the auspices of the municipal and departmental authorities. The fair will occupy the Esplanade des Invalides, in front of the Invalides, and the avenues and adjacent quays along the River Seine.

## LONDON MARKET MUCH DEPRESSED

Viscount Grey's Vacation and Attacks on Cabinet Burden Exchange

By FRANCIS W. HIRST

(By Cable to The Tribune.)  
London, Nov. 24.—The tone of the Stock Exchange remains very heavy under discouraging news and an increasing load of paper. "The Manchester Guardian" makes the regrettable announcement that Viscount Grey has retired to the country for some weeks of complete rest.

The announcement that several minor ministers will address a platform meeting indicates that the Cabinet will welcome public discussion of the large issues and also reflects a feeling that the government must defend against the "ginger press" attacks.

Computations showing an approaching world shortage in food are alarming. Argentine crop reports are very depressing and explain the weakness of Argentine rails. Heroic measures here would include closing down luxury shops and luxury manufactures and concentration of the productive energy on articles of prime necessity. Rising food prices will greatly raise war expenditures everywhere.

Among the new war industries likely to last is the manufacture of synthetic drugs. Many enterprising and clever young chemists have been working successfully to supply the market with these hitherto German monopolies.

The doll trade is a curiosity. Before the war German dolls' wigs were imported from Bradford, while dolls' eyes were a specialty of German glassblowers. Now the eyes as well as the wigs are being manufactured here.

According to a recent market report in "The Cologne Gazette," military needs have placed all iron and steel establishments under the government's control, with the result that peace orders cannot be executed. This disposes of the tariff reformers' suggestion that the German steel trade will dump its products abroad after the war. Rubber prices will rise with the freight shortage, but this fact should not raise rubber shares.

The important political change at Petrograd only slightly affected the Russian exchange here, which has been firmly controlled recently.

## BANKERS NOT AGREED ON ARGENTINE LOAN

Renewal of \$5,000,000 Note Issue, Due Dec. 15, Is Expected  
Efforts of New York bankers to reach an agreement with the Argentine government on a plan for the consolidation of that country's short term obligations in this market into one large loan have not yet met with success. One of the reasons given for the delay is that two influential groups of bankers are competing for the privilege of underwriting the loan.

Although daily conferences have been held during the week to hasten the adoption of a comprehensive refunding operation, it appeared yesterday that an issue of \$5,000,000 Argentine 6 per cent notes, maturing on December 15, would have to be renewed. Bankers were hopeful, however, that current negotiations will bear fruit later in the form of a loan that will take care of the South American republic's obligations maturing over the next four years. These amount to \$55,500,000, exclusive of the December maturity.

## Northwest Easy About Seed

Minneapolis, November 24.  
James J. Earley, president of the Bank of Valley City, N. D., is confident that the spring wheat seed problem of 1917 will be solved without recourse to heavy importation. Mr. Earley looks for a big wheat acreage in the Northwest next year.

## Significant Relations

Money and Prices:

Stock of money gold in the country.

Loans of all national banks.

Ratio of cash held to gross deposit liabilities.

Loans of Federal Reserve Banks.

Their liability for notes, net.

Their gold reserve against deposits and circulation.

Average price of 15 railroad stocks.

Average price of 12 industrial stocks.

Food cost of living (Annalist index number).

Production:

Unfilled U. S. steel orders, tons.

Wheat crop, bushels.

Corn crop, bushels.

Cotton crop, bales.

Distribution:

Shortage of freight cars.

Surplus of freight cars.

Gross railroad earnings.

Bank clearings.

## Relevant Information

United States Steel.—The turnover in Steel common was large again yesterday, with a total of 201,000 shares, or about one-sixth of the aggregate dealings on the Exchange. The stock closed at the top, 126 1/2, where it showed a net gain of 2 1/2 points. The Street is now talking earnings for the Steel Corporation in 1917 at the rate of 100 per cent a share on the common.

Earnings in the current year, based on the operations in the first three quarters, are estimated at more than 42 per cent, compared with 9.96 per cent actually earned in 1915. Dow, Jones & Co., discussing the outlook for Steel, quoted a bank president as saying that orders on hand, business in sight and prices to be secured assure the Steel Corporation for the calendar year of 1917 enough profits to take care of all sinking funds, fixed charges and preferred dividends, provide for a further 15 per cent advance in wages and cover the \$500,000,000 common stock at par, dollar for dollar. They added:

No one would have believed two years ago that the Steel Corporation would earn \$200,000,000 net in 1916, yet this has not only come to pass, but actual net earnings for 1916 will exceed unobtainable totals of two years ago by \$120,000,000. United States Steel in 1916 will earn close to \$300,000,000. Net earnings in the current quarter may be in excess of \$100,000,000, and it may be as easy to expand these earnings to \$150,000,000 as it has been to expand the former normal quarterly earnings of \$25,000,000 or \$40,000,000 to \$100,000,000 in a quarter.

Railway Steel Springs.—The common stock advanced 2 1/2 points to 59 yesterday on dealings of about 8,000 shares. While the market was in session the directors declared a quarterly dividend of 1 1/4 per cent on the \$15,500,000 of common stock outstanding. This is the first payment on the common since the disbursement of 2 per cent, in 1913. The company has \$13,500,000 of 7 per cent cumulative preferred stock out, on which the full dividends have been maintained since 1903. Latest available earnings figures show 3.03 per cent returned on the common in 1915, compared with a deficit in 1914. Over a period of ten years the company has shown average annual earnings of 3.35 per cent on the common after deducting the full 7 per cent on the preferred. Unofficial estimates published recently indicated that the current year's operations would net the company the best returns in its history. Unfilled orders on the concern's books run well into next year. Much of this business is for foreign delivery.

Atlantic, Gulf and West Indies.—The directors declared an initial dividend of \$5 a share on the common stock yesterday. Dealings in this issue totaled 7,000 shares without any net price change. Atlantic, Gulf and West Indies is a holding company with \$14,979,900 of 5 per cent non-cumulative preferred outstanding and \$14,963,400 of common. It was organized in 1903 and now controls through stock ownership seventeen steamship concerns operating along the Atlantic coast and to points in the West Indies. Among its subsidiaries are such well known concerns as the Clyde Steamship Company, the Mallory Steamship Company, New York and Cuba Mail Steamship Company, New York and Porto Rico Steamship Company and the Southern Steamship Company. In the eight months ended with August the company's earnings were at an annual rate of 62.24 per cent on the common, against 4.50 per cent actually shown in 1915. That the company's current revenues are abnormal is indicated by the fact that from 1910 to 1915 the earnings on the 5 per cent preferred averaged only 3.54 per cent annually.

SOLVES HIGHER LIVING COST FOR EMPLOYEES  
Central Trust Company Grants Proportionate Wage Increase  
The Central Trust Company of this city has evolved a practical plan to maintain the purchasing power of its employees' wages. This was outlined yesterday in the following statement by James N. Wallace, the president of the company:

Following an investigation into the high cost of the necessities of life, the trustees of the Central Trust Company of New York have authorized the payment to employees of a certain percentage of their increase in the cost of living. This extra payment figures out in the neighborhood of 21 per cent and will be made in monthly installments beginning immediately.

London Markets.—London, Nov. 24.—The stock market developed a better tendency to-day. In the gilt-edged section buying did not increase, but a few bids were sufficient to raise values. Argentine rails continued weak on the crop outlook, but rubber stocks were firm with the commodity. The other sections were uninteresting. American securities were reactionary on the decline in Wall Street yesterday. The closing was dull.

Money was in strong demand and discount rates were harder. Money, 4 1/2 per cent; discount rates, short and three months' bills, 5 1/2 to 5 3/4 per cent; gold premiums at Lisbon, 75.00.

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Foreign  
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## TREASURY BILLS ARE AUTHORIZED

Morgan & Co. Describe New Form of British and French Securities

The imminent innovation in the method of financing British and French purchases in this country was outlined yesterday in a statement issued by J. P. Morgan & Co., which said:

"In response to inquiries we are able to state that the British and French government treasuries have each authorized the sale in this market of a limited amount of their short term bills, running at various maturities from thirty days to six months.

"These bills, which in form are much similar to the New York City revenue bills, will be payable in dollars in New York City. They will probably be available on or about December 1 and at rates based largely upon money market conditions."

It is not expected that the initial sales of the bills will be in sufficient volume to affect materially the sterling exchange market. Payments in gold for the huge purchases of the Allies in this country have been resumed. There will arrive in New York on Monday a shipment of \$7,500,000 from Ottawa consigned to J. P. Morgan & Co. This will mark the beginning of another movement which will total at least \$25,000,000, with a